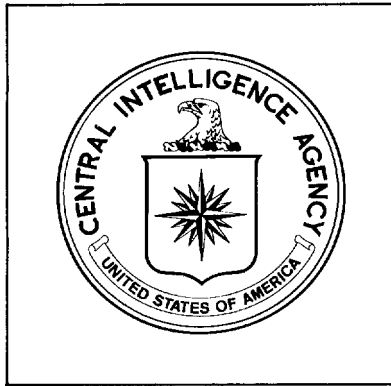


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STAFF NOTES:

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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Azorean Separatists Seek West European Aid

The Azorean Liberation Front is seeking support in Western Europe for its plans to separate the Atlantic islands from the Portuguese mainland by force.

An emissary of the Front reportedly traveled to West Germany and France last week to solicit assistance in the form of financing and armaments. [REDACTED]

the effort to obtain governmental support was a failure, but the Front was promised assistance by representatives of the conservative wing of the West German Christian Democratic Union/Christian Social Union.

The Front representative was reportedly told that Franz Josef Strauss, CSU party chairman, was interested in Azorean independence, although there is no indication that the Christian Democrats have decided to support the separatists. A group of wealthy Catholic conservatives may try to obtain Party support for the independence movement, however, and if this fails they might provide some assistance on their own.

The emissary reportedly made his pitch to several influential conservative leaders and presented a long list of needed arms and ammunition to a retired admiral. The admiral was reported to have replied that he thought the Azoreans' needs could be met and that he might also be able to provide three former German army officers to serve as advisers.

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The West Germans also arranged for the Azoreans to meet with [REDACTED] and said they would try to arrange an appointment with senior US officials in Washington. [REDACTED] reportedly told the emissary that after the favorable impression Portuguese President Costa Gomes made in Paris there was no French interest in Azorean independence.

Meanwhile, the US consul in Ponta Delgada, has been contacted [REDACTED] to support the separatists. [REDACTED] claimed a group of radical officers were trying to oust [REDACTED] military governor Magalhaes. [REDACTED] no indication that [REDACTED] prepared to support or lead a separatist move, but asked somewhat cryptically about US policy toward the Azores.

Separatists on the islands have been encouraged by the release of the last of the prisoners arrested following the pro-independence demonstration on June 6. The prisoners were returned to Ponta Delgada from Terceira island on Tuesday, and individually welcomed back by Governor Magalhaes. (Secret No Foreign Dissem/No Dissem Abroad/Background Use Only/Controlled Dissem)

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Swiss Berate Austrian Army

The Swiss military have all but written off the Austrian army in the event of an East-West conflict. [REDACTED]

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[REDACTED] strategists in Bern feel that if any Austrian army units put up a fight, it will be "cream in the coffee."

Although hardly a revelation, the Swiss evaluation is interesting, coming as it does from a fellow European neutral. Both countries' military efforts are designed only to defend the homeland; the similarity ends there. The Swiss have always been conscientious about maintaining their military preparedness while the Austrians are less resolute. Vienna's defense doctrine, which was approved unanimously by the Austrian parliament, accepts the negative, but realistic, premise that during a war parts of the country probably would come under an aggressor's control "temporarily or for a long time."

The Swiss are also concerned that Austrian military intelligence is penetrated by the Soviets. [REDACTED] cited an incident where a Swiss communications specialist briefed his Austrian counterparts on a breakthrough in deciphering Soviet electronic emissions. Within 48 hours the emissions in question were changed. (Secret No Foreign Dissem/Background Use Only)

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UK Labor Party Moves into European Parliament

1 | Britain's Labor Party has approved a new eighteen-member delegation to the European Parliament, fulfilling Prime Minister Wilson's EC referendum campaign promise to replace the representation in Strasbourg that dates from the last Tory government.

1-2 | Composition of the new delegation reflects Wilson's efforts to limit Labor Party infighting. Twelve commoners and six peers were selected. Party officers were careful to include both pro and anti-marketeers, giving a slight advantage to pro-EC members, and maintained evenhanded regional representation.

1-2 | Liberal Party objections to a reduced share of the Strasbourg delegation have delayed Parliamentary approval. The Liberals do not have the strength, however, to block approval indefinitely. The House of Commons will probably move to make the delegation's appointment official before adjournment in mid-July. (Confidential No Foreign Dissem)

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Norway Considers Future Continental Shelf Needs

A Norwegian government committee appointed in 1974 to study continental shelf problems presented its report on June 27. The report will be studied by the government and delivered to parliament early next year.

The committee called for the creation of a new coast guard by 1983 and allocation of \$230 million for patrol ships, surveillance aircraft and diving vessels. The new coast guard would be tasked with patrol and protection of fishery equipment, surveillance of continental shelf activities, scientific research, and location and tracking of drifting ice. It would also have some rescue, environmental protection and policing duties.

The committee specified that the new coast guard, which would replace the small existing Fishery Surveillance Service, should be responsible to the Navy and ultimately to the Defense Ministry.

Oslo has become increasingly aware of the need to beef up its capabilities to protect and patrol its continental shelf. When the proposal comes up for parliamentary review and voting, the most contentious issues will probably be the question of resources and the mix between civilian and military roles in the new service. (Confidential)

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Opposition Leader Assails Turkish Government

Turkish opposition leader Bulent Ecevit last Saturday launched his strongest attack so far on the government of Prime Minister Demirel.

Speaking before 50,000 people, Ecevit accused the Demirel government of trying to destroy Turkish democracy and of bowing to US pressures on Cyprus and the arms embargo. He said the government could expect no cooperation from his party so long as it exploited sectarian differences and other domestic difficulties.

Ecevit charged that Demirel had failed:

--to exploit Turkey's strategic importance to force an end to the arms embargo and has instead done no more than "bluff and threaten;"

--to outline the kind of solution he envisages for Cyprus, thus isolating Turkey in the international community;

--to articulate Turkish rights in the Aegean, leaving Turkey vulnerable to Greek demands.

Ecevit has thus thrown down the gauntlet on the key issues: Cyprus, the Aegean, and the arms embargo. The truce between the government and the opposition has ended. Both sides have their eyes on the senatorial election this fall and possibly an early general election.

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Ecevit's charges and the angry government response will limit Demirel's flexibility on these issues. He cannot afford to appear less determined than Ecevit in asserting Turkey's interests.

Meanwhile, the violence between opposing student groups and political parties, which has plagued Turkey of late, was absent at Ecevit's rally, due largely to increased security measures. (Confidential)

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Worker Takeovers Plague Portuguese Government

Leaders of the Portuguese Armed Forces Movement, caught between the law and their unqualified support for the working class, have been unable to agree on how to respond to the growing number of worker takeovers in Portugal.

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Negotiations began on Tuesday to settle the dispute over the Socialist newspaper Republica, which was closed by the government six weeks ago after pro-Communist printers attempted to seize control of the paper. Socialist editor Raul Rego characterized the first day of talks as "difficult." Much of the difficulty undoubtedly stems from the fact that there are nearly 150 participants in the discussions, including representatives of the newspaper's Socialist managers and journalists, the Communist printers, the internal security forces, and the ruling Revolutionary Council.

Resolution of the dispute may be further complicated by hard feelings between the Communists and the Socialists over a French edition of Republica which published an alleged Soviet document outlining the strategy of the Portuguese Communists. Both Moscow and the Portuguese Communists have denied the authenticity of the document and the Portuguese Communists have promised to take the issue to court.

In the meantime, the Lisbon government has ordered leftist workers to return the Church-owned radio station to its legal owners in an attempt to avert further discord with the Catholic Church. The workers, supported by other groups of the extreme left, have refused to abandon their occupation of the studios unless expelled by force.

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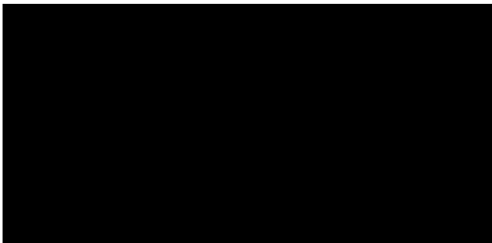
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Despite the government's apparent desire to resolve these problems, early solutions do not appear to be in sight. The military government had also supported returning Republica to its Socialist owners, but the security forces--openly sympathetic to the workers--refused to carry out the order and allowed the printers, not the management, access to Republica offices. Security troops also refused to expel workers during the early days of the radio station takeover, although the government announced that the seizure was illegal.

In what may be the first indication of a firmer position, the government announced today that it could not allow workers to create a "chaotic situation." Security troops followed up the announcement by blocking the attempted takeover of Lisbon's telephone system by striking workers. The security forces were anxious to preserve their reputation among the workers, however, and issued a statement regretting that force had been necessary. They blamed the extreme leftwing groups behind the strike for "acting negatively" and accused the strikers of refusing to negotiate with the government. (Unclassified)

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Kuwait Interest in EC-Arab Relations

During talks last month with the EC, Kuwait made no specific commitments but showed interest in the EC's projected common borrowing facility and cooperation between the community and the Arab League countries. The terms for borrowing from the facility--made up of funds which the EC would get from OPEC countries and lend to EC members--will be discussed at a Council of finance ministers on July 10.

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Kuwaiti officials told visiting EC Commissioner Haferkamp that Kuwait would consider a loan to the common borrowing facility next year but has no funds available now. The EC would like to borrow between \$300 and \$400 million from Kuwait. Terms acceptable to the EC would include a 5-6 year maturity and an interest rate lower than the prime rate offered to any individual EC member state, or no more than 8.25 percent. The Kuwaitis made no commitment but Commission officials expect about \$250 million. Kuwait reportedly attached no political strings to a possible loan.

Ireland and Italy have now confirmed requests for a loan in letters to the Commission, and Commission officials speculate that the UK may also want to apply because the interest rate would be lower than the UK could negotiate on its own. Borrowing from the fund would be conditioned on the applicant's adopting policies approved by the EC to correct existing economic imbalances. The conditions are expected to be like those set for Italy when it borrowed last year under the EC medium-term facility.

Because neither the interest rate nor the conditions have been determined, the borrowers could later back off on their requests for loans.

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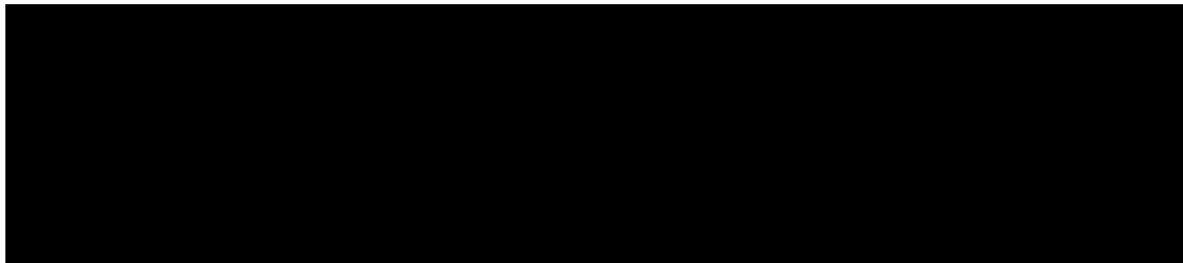
Potential lenders to the fund, in addition to Kuwait, are Saudi Arabia and Venezuela and they too cannot be considered firmly committed to the project until borrowers, interest rates, terms and amounts are tied down. Nevertheless, Commission officials believe prospects are good for completing a loan through the facility early next year.

Kuwait's interest in broadening its foreign contacts and expanding its trade ties, particularly with the EC, strengthens Kuwait's receptivity to EC approaches.

Kuwait officials told the Commissioner that they were especially interested in triangular investment projects in which the EC would combine its technological and management know-how with Arab financial resources to help developing countries. Such projects have been a prime EC objective in the Euro-Arab dialogue, but other rich Arab countries have been less interested. The first substantive meeting on the dialogue, held last month in Egypt, went smoothly and a second meeting is set for July 21-24 in Rome. (Confidential No Foreign Dissem)

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Leftist Labor Election Victory in Spain
Will Escalate Liberalization Demands

3 | The landslide victory of illegal leftist labor groups in the nationwide labor elections last month will set the stage for a battle over liberalizing the government's tight control of the Syndical Organization-- the only legal labor organization in Spain.

1 | According to press reports, nearly complete tabulations reveal that more than 75 percent of the 360,000 posts at stake-- shop stewards and other factory-level positions-- were won by members of the illegal labor organizations, including the Communist-dominated Workers' Commissions. These posts are the lowest echelon in the Spanish syndical system.

3 | The winners favor radical transformation of the system which presently lumps workers and management in an organization dominated by management and government which workers believe does not represent their interests effectively.

2 | Although the winners are clearly opposed to the regime, it is by no means clear that the majority are Communists. In fact, the government took steps to eliminate the most radical candidates through eligibility rules.

2 | Balloting at the factory level is only the first phase in the elaborate syndical electoral process. Elections will be held this fall for local, provincial, and national positions in the Syndical Organization, as well as for labor representatives in

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parliament. The results of this first round will make it more difficult for the syndical hierarchy to manipulate these elections as they have in the past.

Prime Minister Arias favors limited reform of the syndical system to meet worker discontent, but reform efforts until now have been side-tracked by members of the conservative syndical bureaucracy who are supported by ultra rightists with ready access to Franco. Failure to heed the results of the changes at the grass-roots level will worsen labor tensions. (Confidential)

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